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National Summit on Retirement Savings (1)

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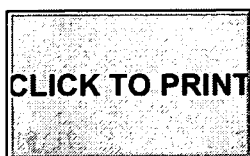
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(2) Subject* **Pension plans for small businesses**

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REMARKS OF SENATOR MAX BAUCUS

The 1998 National Summit on Retirement Savings
Washington, D.C.

June 4, 1998

Good evening.

First of all, let me express my appreciation to President Clinton, Secretary Herman and her hardworking staff at the Department of Labor, the American Savings Education Council, and EBRI (ee-bree) for their leadership in planning this important Summit. This successful partnership between the public and private sectors provides a perfect model for the cooperative effort that will be so crucial to achieving the goals of this conference.

I'm delighted to be here with my Congressional colleagues, and among so many of you, who are experts in the field of retirement planning. I don't need to repeat this evening the facts about the failure of so many Americans to plan for their retirement, and the importance of encouraging savings.

Apparently, when we think about savings, President Clinton and I both immediately think about Ben Franklin. I heard he used my lines earlier today. I wish he had SAVED them for me instead! You all know that Ben Franklin once said: "A penny saved is a penny earned."

Even he couldn't have imagined just how magical the combination of time and compounded interest could really be. What would have happened if Ben had taken a single dollar and invested it in the stock market after World War II? That dollar would have grown to \$177 dollars today -- almost 20,000 percent.

Our parents and grandparents understood the importance of saving. They lived through the Depression. They understood all too well the need to put money aside for a rainy day. And out of their experience was born our system of public savings through the Social Security system.

Yet, more Americans under the age of 35 believe in UFOs than believe that Social Security will be around when they retire! Congress must keep its commitment. The long-term financial stability of the Social Security system must be maintained. That way, Americans can count on government to fulfill its promise to them when they retire.

People are depending on us. Every day, they work hard and struggle to make ends meet. When I look into the eyes of people across our country, I can feel their worry about their financial future.

Whether it's the young 22-year-old couple struggling to raise their family and save for their children's education. Or our senior citizens, whose faces tell the story of their despair at having so little to maintain their independence. I know they are counting on us. We must -- at this summit and in the days ahead -- look beyond the statistics. We must remember the struggles of these real people, like Senator Lott's mother, and make the right decisions to enable them to realize their dreams.

We also know that for most people Social Security, alone, cannot provide an acceptable standard of living. Even if it did, we should consider proposals, like those offered by Senator

Moynihan and others, that allow Americans to invest part of their Social Security dollars on their own.

Personal savings and private pension plans are two other crucial building blocks to a comfortable retirement.

Somehow, during the 2 centuries that have passed since Ben Franklin's time, we as a nation have lost our imperative to save. Personal savings rates have dropped to 3.8 percent of our Gross Domestic Product, the lowest level in 58 years.

We must reverse this trend.

We must turn a nation of spenders into a nation of savers.

That means educating Americans on what it takes to retire and how to invest wisely. Together, we need to deliver a convincing message to our fellow Americans — through educational materials, town hall meetings across our country, finance courses in our schools and information in the media, to name a few — that it's never too late to begin saving and investing in their future.

And even starting with Ben Franklin's dollar is better than not saving at all.

I would like to now focus my principal remarks on the third building block to a comfortable retirement -- adequate pension coverage. Fifty-one million Americans in our nation's workforce have no pension coverage. In a nation blessed with such prosperity, that is unacceptable.

Moreover, 38 million of these people are employed by small businesses. This means 80 percent of all small business employees have no pension coverage.

I know first-hand the hardship faced by small business owners and their employees by this lack of coverage. In my state of Montana, more than 95 percent of our businesses are small businesses. And, almost 9 out of 10 offer no pension plans. We cannot let these hard-working Americans down.

Effective pension reform must acknowledge the special challenges small businesses face in providing a secure retirement for their employees.

According to the results of EBRI's (ee-bree's) Small Employer Retirement Survey released just two days ago, those challenges include the concerns of small business employers about the cost of establishing and maintaining pension plans, and the lack of understanding among their workers about the importance of pension plans to their future retirements.

— We need to make it a smart business decision for small business owners to establish retirement plans for themselves, and their employees.

— And, we need to encourage simple, creative ways to expand pension coverage in the small business universe. That means:

- ▶ cutting back on paperwork;
- ▶ eliminating obstacles and providing incentives to starting pension plans;
- ▶ streamlining complex pension regulations; and
- ▶ providing employers with the guidance and support they need to respond to the pension requirements of their employees.

I have made it my priority to work with members of the small business community, both back in Montana and nationally, to identify legislative solutions that will most readily enable small businesses to offer pension plans to their employees. As a result of these efforts, we have concluded that a legislative solution must include four elements:

- changes in the top-heavy rules that limit employer contributions to plans;
- increases in income limits that apply to SIMPLE pension plans;
- the creation of a simplified defined benefit plan for small business; and
- financial incentives to cover the administrative costs of establishing and maintaining pension plans.

To help make pension plans more affordable, I also intend to offer a new tax credit for small businesses that will help defray the cost of employer contributions to pension plans.

Finally, I am looking forward to incorporating in this legislation any additional ideas that will be generated by you during this Summit.

This Summit is the beginning of a national effort. Let us make a commitment tonight, that when we meet again at the next summit in the year 2001, we will have made substantial progress in ensuring that Americans understand the importance of personal savings, can count on Social Security as part of their retirement, and have broader access to pension plans through their employers.

Each of you understands how important these three building blocks are to achieving our goal of making America in the next century, not only strong as a nation, but strong as a community of individuals confident in the security of their financial futures.

Thank you.